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Medvedev says Magnitsky fallout not bad for Russian business - RTRS
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* PM says Magnitsky affair not concern of business community
* Says lawyer's death used for political purposes
* Issue has added to strains in U.S.-Russian ties

By Steve Gutterman

MOSCOW, Jan 26 (Reuters) - Prime Minister Dmitry Medvedev used a prime-time TV interview on Saturday to dismiss concerns growing fallout from the 2009 death of anti-corruption lawyer Sergei Magnitsky would damage Russia's business interests.

Medvedev said the whistleblower's death in jail, for which no one has been brought to justice, was being used by Kremlin critics to score points but was of no import to business leaders.

The assurances seemed to contradict concerns aired by members of Russia's business elite this week on the sidelines of the World Economic Forum in Davos, Switzerland, where Medvedev was Moscow's top representative. [ID:nL6N0AT79L]

The United States adopted legislation last month called he Magnitsky Act, which bars entry to Russians accused of involvement in his death or other grave human rights abuses and freezes any U.S. assets they hold.

"It does not interest anyone, except maybe certain citizens who are trying to use it to accumulate political capital," said Medvedev, who was president from 2008 until Vladimir Putin returned to the Kremlin last May.

"Not a single businessman raises this issue," he told state television in an interview focussing on his role in the forum. "But unfortunately it has become a factor in political life."

Russia responded to the U.S. legislation by imposing similar measures against Americans accused of violating rights of Russians and also banning adoption of Russian children by Americans, adding tension to ties already strained since Putin's Kremlin return.

Magnitsky was 37 when he died after nearly a year in pre-trial custody on tax evasion changes. He said he was denied proper medical care and members of Medvedev's own human rights council said he was probably beaten to death.

Authorities said he died of a heart attack, but his former employer, investment fund Hermitage Capital, says he was killed because he was investigating a $230 million theft by mid-ranking interior ministry and tax officials through fraudulent tax refunds.

POSTHUMOUS TRIAL

Magnitsky's death caused an outcry and underscored risks faced by Russians who challenge the state. In what Kremlin critics called a travesty of justice, Russia is trying him

posthumously and preliminary hearings start on Monday.

Medvedev brushed off a question about the potential effects on investment in Russia, saying the issue had been politicised and had little relation to the economy.

At Davos, he said, "There was no business discussion (of the Magnitsky issue)."

For foreign executives, however, it is symbolic of broader concerns about operating in Russia, where perceived corruption and weak corporate governance add to the risks of investment.

A Russian billionaire at Davos expressed concern that the drive to punish Russians over Magnitsky could spread to the European Union and Britain, and some tycoons worry their cross-border money transfers will get hit by red tape. The billionaire asked not to be named.

Investigations with ties to the Magnitsky case have taken place in three European countries which are important conduits for fund transfers by Russian business.

Alexei Navalny, a Russian opposition leader, seemed to add a note of sarcasm when he posted a Russian news headline on Twitter: "Dmitry Medvedev believes the issue of Sergei Magnitsky is not of interest to Russian business."

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